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Article Section II

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The Great Farm Problem

Government Intervention Has Brought Chaos

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But a bold peasantry, their country's pride,
When once destroy'd, can never be supplied.
—OLIVER GOLDSMITH

FOR MORE THAN A GENERATION, ever increasing surpluses—a telltale sign that something is wrong—have dogged the agricultural experts in Washington. The year 1958, a bumper-crop year, provided the biggest farm surpluses of all time. Each time the planners hopefully believed that victory was at last theirs, with surpluses declining or even "stabilized," new obstacles appeared.

Mountainous obstacles. Adequate storage facilities were not, for long periods, to be had. In the early days of the Eisenhower Administration, caves, abandoned factories, hangars, circus tents, oil tanks, moth-balled World War II merchant ships, walled-up rural streets, and shut-down movie houses supplemented existing grain-terminal and elevator space. The ships-into-bins use continues to the present moment. In August, 1955, the US Department of Agriculture urgently sought bids from contractors to build 14,000 new bins to hold 47 million more bushels of grain. As always, the addition was too little and too late.

In May, 1959, the Government owned or had a lien on more than $3 billion worth of wheat and more than $2 billion worth of corn. As of February 28, 1959, Department of Agriculture statisticians estimated the Government-owned Commodity Credit Corporation's "investment" in the Nation's wheat at better than a billion bushels—753 million bushels owned outright and loans outstanding on 533 million bushels more. The Commodity Credit Corporation's "investment" in corn was also well over a billion bushels—1.1 billion bushels owned outright and loans outstanding on 427 million bushels more.

All in all, the Government's total "investment" in farm commodities runs over $9 billion. By June 30, 1963, under present laws, the USDA expects the Government's stake in farm surpluses to climb to about $12 billion. But even these figures do not tell the whole story. Since July 1, 1953, the CCC has disposed of some $16 billion in acquired farm commodities below cost, mostly overseas.

A "normal" year's wheat-crop yield is from 900 million to a billion bushels (almost 1.5 billion bushels made up the 1958 crop), but present wheat crops are abnormal in view of artificially stimulated prices, so that a year's crop generally produces unconsumed "carry-overs" of 200 to 400 million bushels. On July 1, 1956, the accumulated carry-over was in excess of a billion bushels. To meet this problem, some 550 million bushels were sold on world markets on terms that brought charges of dumping from other wheat-producing countries, many of which we otherwise aid. Besides, the Soil Bank was put to work, and $230 million was paid to farmers for withdrawing more than twelve million acres from wheat production.

Yet the 1957 crop, at 947 million bushels, was only 50 million bushels under that of the previous year. And the 1958 crop beat the 1957 figure by 500 million bushels! Again, the Government planners' solutions of subsidized exports and the Soil Bank were too little and too late. The gluts persist.

Consider the related problem of our dwindling tobacco exports. It is an axiom of economics that high prices stimulate production and check consumption. Throughout much of America's history, Wilson, North Carolina, had been the largest flue-cured tobacco market in the world. In recent years, however, that title has been taken by Salisbury, Southern Rhodesia. Carolina production has shrunk, both absolutely and relatively. Under an acreage-allotment system, almost two out of every three burley-tobacco farmers are "garden growers" with a Government allotment of eight-tenths of an acre or less (of these, many are at one-half acre or less) as the maximum permitted planting, an allotment which precludes low-cost cultivation. (Some farmers have managed, however, to secure more than one

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allotment.) American tobacco is one of those crops which receives the "benefit" of price supports.

Think for a moment about the dilemma faced by the Government on the eve of a Presidential campaign:

Budgetary expenditures primarily for the support of farm prices and farm income are now equal to about 40 per cent of net farm income.

Farm prices are still about 10 per cent below the level prevailing when President Eisenhower took office, and have sunk at times to more than 40 per cent below—with disastrous results to the Republicans in the farm areas in the 1954, 1956, and 1958 campaigns.

Farm surpluses are three-and-one-half times as large as they were at the beginning of 1953. Carrying charges—storage, transportation and interest—cost the Government more than $1 billion annually.

The Government spent more on agriculture in the first four years of the Eisenhower Administration than it had in the preceeding 20 years (which included two wars which used up surplus to a large extent).

A sizeable exodus from the farm seems to be underway, despite all the Government "assistance." Between 1949 and 1953, the farm population declined by some three million. Nearly two million more farm people have left their farms since 1953. In 1953 farm population was 14.3 per cent of the total US population; in 1958 it was but about 12 per cent of the total.

The US Department of Agriculture reported that as of February 28, 1959, investment of the Commodity Credit Corporation in price-support programs amounted to $9.1 billion—made up of loans outstanding of $4.0 billion (including $706 million of loans financed by lending agencies), and the cost value of inventories $5.1 billion.

As of February 28, 1958, the investment was $7.3 billion of which loans outstanding amounted to $2.4 billion and inventories $4.9 billion.

Price support operations in five commodities accounted for the bulk of the February 28, 1959, loan total as follows:

Cotton, Upland	6,447,558	bales	$1,101,695,551
Wheat	533,444,796	bushels	978,879,790
Tobacco	924,451,817	pounds	599,437,828
Corn	427,271,926	bushels	523,818,948
Grain Sorghum	146,188,849	cwt	276,081,784
Other			497,934,361
			$3,977,848,262

(Included under "other" were loans on extra long staple cotton, cottonseed, barley, dry edible beans, flaxseed, oats, rice, rye, soybeans, honey, peanuts and tung oil, the largest being $249,699,676 on soybeans.)

Inventories:

Wheat	753,509,376	bushels	$2,144,139,573
Corn	1,144,121,938	bushels	2,014,653,082
Grain Sorghum	156,295,221	cwt	410,507,557
Cotton, Upland	1,411,576	bales	205,573,504
Barley	69,340,032	bushels	84,175,653
Rice, Rough and Milled	6,268,394	cwt	54,366,420
Strategic Materials			36,503,561
Soybeans	12,152,353	bushels	28,286,736
Butter	44,408,334	pounds	26,331,946
Rosin	262,185,642	pounds	20,797,740
Oats	25,394,135	bushels	19,491,597
Dried Milk	116,467,411	pounds	18,000,609
Cotton, Extra Long Staple	32,307	bales	9,461,956
Other			39,336,835
			$5,111,626,769

("Other" items in inventory include cheese, dry edible beans, cornmeal, flaxseed, rye, wheat flour, gum turpentine, tobacco, crude cottonseed oil, refined cottonseed oil, peanuts and tung oil, the largest of which was tobacco with a cost value of $7,643,455 million.)

Net realized program loss on price-support operations for the eight months ended February 28, 1959, totaled $492 million. For the same period in the previous year the loss was $713 million, and for the fiscal year ended June 30, 1958, the program loss on price-support operations totaled over a billion dollars.

Price-support operations of CCC are financed in large part, though not completely, by borrowings. CCC is authorized by law to borrow money as needed, but as of February 28, 1959, total borrowings could not at any time exceed the aggregate $14.5 billion.

The CCC holds a sufficient amount of this borrowing authority to purchase at any time all loans and other obligations held by lending agencies under the Corporation's programs. On February 28, 1959, CCC had in use $13.9 billion of this authority; actual borrowings amounted to $13.2 billion and obligations to purchase loan funds financed by lending agencies amounted to $708 million. This left a statutory borrowing authority of $559 million.

Loans and inventory figures covered in the foregoing do not include "purchase agreements" which provide for purchase by CCC of stipulated quantities of price-support commodities if offered by producers at the end of the loan period. These purchase agreements entered into on 1958 crops through February 28, 1959, had an estimated total value of $191 million. Purchase agreements entered into on 1957 crops through February 28, 1958, had an estimated total value of $196 million.

Price supports extended (total loans made plus direct purchases plus purchase agreements entered into) on 1958 crops alone through February 28, 1959, amounted to $3.8 billion, compared with $2.3 billion on 1957 crops through February 28, 1958.

As NEW PROBLEMS APPEAR and old problems persist, the planners resort to schemes which have been tried before and have failed. Consider the Soil Bank a bit more fully. During the Great Depression, for example, an era characterized by an American President as one in which one-third of the Nation was ill-nourished, ill-clad, and ill-housed, the press generally ridiculed the spectacle of "every fourth row of cotton" (10.5 million acres) being plowed under and millions of young pigs and

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pregnant sows being slaughtered at Government behest. Yet in 1956, an election year, with the inauguration of the Republican-sponsored Soil Bank, Congress authorized the Secretary of Agriculture to permit the plowing under of vast acreage already planted so that farmers could receive rental payments from the Government. Editorial writers were strangely silent; cartoonists satirized other targets. Only former New Deal Secretary of Agriculture Henry A. Wallace, it seemed, hailed the tardy imitation, which was, an old maxim would have it, the sincerest form of flattery. Or consider Public Law 480, which permits the heavy subsidization —dumping may be the apter word—of American farm surpluses abroad. How close is Public Law 480 to the McNary-Haugen bills of the 1920's?

The foregoing are cited as symptoms of an agricultural disease that has been attacking the American economy for more than a generation. The disease is usually referred to as the "farm problem," and, like cancer and the common cold, a great many of its doctors—farm economists, agronomists, farm journalists, politicians, farm-lobby heads, agricultural bureaucrats, professors of agriculture, and even the farmers themselves—express bafflement about the cause. The gluts, the political recriminations, the farmers' complaints, the lobbyists' pleadings, the foreign repercussions go on and on. But to no avail. In August, 1958, the White House released the Francis Report, in which the Government conceded that the farm surplus problem, with its multi-billion-dollar annual cost to the taxpayers, would continue for at least well into the 1960's.

To solve the "farm problem," Secretary of Agriculture Benson, in the fall of 1955, invited "everyone" in the country to send in ideas. Said the Secretary: "I guarantee to you that those ideas will receive the most careful attention possible." Thus encouraged, economist Henry Hazlitt of *Newsweek* magazine proposed a simple two-step program which went straight to the heart of the problem. Hazlitt wrote:

> **The first point may strike some readers as extremely novel, because it is almost nowhere being suggested. This is that Congress stop all price guarantees and all promises of support-buying of any kind on any crop that has not been planted . . . . [Secondly] the Government would sell [at cut prices] its existing surpluses back to the farmers themselves.**

Hazlitt's program is noteworthy for its directness and efficacy, although some may criticize its lack of gradualism. His proposal on stopping price supports would eliminate the major cause of the "farm problem" root and branch. Further surpluses could not occur, for free prices will always clear the market. Existing surpluses would be solved by Hazlitt's second point of selling the surpluses back to the farmers. The farmer would then either store his share at his own expense or sell it. The farmer would hardly raise more of a crop while the existing surplus was being reduced. And he would meanwhile have the natural incentive of property and profit in conserving his own soil, switching to new crops, converting his land to grazing pastures for animal husbandry, or selling his farm and going into industry, as the overwhelming number of his predecessors have long since done. Billions in Treasury payments would be saved. Nothing, however, came of the Hazlitt plan or the calls for freer farming put forth by Secretary Benson. Government intervention continues.

Thus intervention is the farm problem. The problem is strictly political. Were there no intervention, there would be no farm problem. Of course there would be the perennial agricultural problems of weather, insects, erosion, competition, shifting consumer tastes, the relative efficiency and inefficiency of individual farmers, fast-moving farm technology, and so on. In a nutshell, this discussion attempts to demonstrate the futility of farm intervention in particular and, inferentially, of all intervention in general.

Intervention, by way of definition, is governmental interference with the market forces of supply and demand. It is carried out directly or indirectly by the Government. Intervention occurs, for example, when public agencies enter the market place and set minimum or maximum prices or tax one group of competitors (e. g., foreign) and not another. Intervention occurs, too, when Government tightly "regulates" otherwise competitive industries through political appointees or grants privileges to such groups as industrial cartels or labor unions in order to protect them from competition—i. e., grant them monopoly power.

The tragedy of all intervention—the farm problem is a case in point—is that the longer it continues, the more difficult it becomes to extricate producers, consumers and the Nation from the growing morass of controls and politics. Intervention breeds intervention. Politicians may clothe farm-intervention in semantic niceties, such as "parity prices," "Soil Bank," "Brannan Plan," "Food Stamp Plan," "ever-normal granary," "soil conservation," or, simply, "farm policy," but the basic disruption of market forces—intervention—continues.

Farm intervention dates back, mainly, to Hoover's

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Federal Farm Board of 1929. For 30 years—1929 to 1959—intervention has, rather than solve the farm problem, exacerbated it.

So-called farm policy, so subject to political caprice and compromise, has long continued—a 30-year makeshift, a tragicomic failure by any standard. Granted a continuation of our present democratic system of government and the present philosophy of interventionism, this situation very likely cannot be corrected in the near future.

In the long run there is hope, as far as agriculture is concerned, for as the farm population shrinks because of economic and technological developments, its voting strength will diminish and the farm bloc will, therefore, tend to become less potent. (Let it be noted, however, that farm intervention today seems less a matter of farmer demand than of Government imposition.) What almost certainly will persist is the interventionist philosophy, ever disrupting market forces and causing what Professor Ludwig von Mises has called "planned chaos," the very antithesis of free enterprise.

WHAT DO AMERICANS MEAN today by "free enterprise?" This is a question that Vladimir V. Matskevich, Russia's Minister of Agriculture and leader of the twelve-member Soviet farm delegation to the United States in 1955, might have asked. Although the American farm is a far cry from the Russian collective farm, there is nonetheless an affinity between the two: both are products of Government intervention. While Russian intervention is total and has produced scarcities, even famines, American intervention produces surpluses. For the American farm, the degree of intervention is less but, viewed in historical perspective, is substantial and growing.

The United States Government, through thousands of its agents in county seats, buys much of the Nation's grain. It lets farmers know how many acres they may plant, with inspectors checking in the fields to make sure there is no overplanting. It insures crops. It stores crops. It irrigates crops. It sells crops. It exports crops. It gives away crops—for example, through foreign aid and the school-lunch program. It plans and finances soil conservation. While fretting over surpluses, it researches for greater crop yields, and it annually adds vast new acreage of farmland through its land-reclamation program. It lends money, at subsidized rates, to farmers for equipment, electrification, livestock, planting, seed, fertilizer, and harvesting. It restricts domestic competition. It exempts co-operatives from corporate income taxes and the anti-trust laws. On certain commodities—fluid milk, for example—it directly sets minimum prices. Through price supports, it indirectly sets prices on all other so-called "basic" crops. And, finally, through tariffs and quotas, it hurts foreign competition. All this is hardly "free enterprise," Commissar Matskevich could report to the Kremlin.

The farmer is no longer a free agent. Neither is the consumer. The consumer is forced to support the waste of intervention through higher taxes and artificially higher prices for farm products. The farmer, in many instances, since he grows for Government storage and not for market consumption, is no longer consumer- and quality-minded. For example, there has been a sharp increase of "yellow belly" wheat (i. e., inferior quality).

This, then, is the argument of this discussion: the farm problem is, in a word, intervention. The farm problem is political and could be labeled "made in Washington"; the problem lies in the politics enmeshing the farmer, his prices, his surpluses. These surpluses include not only wheat, corn, powdered milk, cheese, tung oil, cotton, and more than 20 other commodities, but—farmers.

America's surplus farmers are, for the most part, the smaller, inefficient farmers, marginal and submarginal, whose margin of existence depends on direct and indirect subsidies from the Government —i. e., from the American people. The farm problem, personalized, is in part the surplus farmer, politically and economically dependent on a Treasury "conservation check," a "Soil Bank" check, on "parity supports" and "marketing agreements" designed to prop prices higher than the price of the free market.

The farm problem is a political philosophy and system—interventionism—consisting, in part, of small farmers, quite a few big farmers, a powerful farm bloc, a farm bureaucracy, and some, but by no means all, influential farm lobbies. It is this network which has created the modern American farm dilemma of imbalance and stifling controls. The farmer and the consumer and, in a sense, the politician are all victims of intervention.

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